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THE
Consumers' Gas
COMPANY

124th ANNUAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 1972

124 Years of Progress . . .

As we report on our 124th year, Consumers' Gas reaches an important milestone in Canadian corporate history.
To shareholders and shareholders to be, it may be difficult to visualize a company which has operated continuously and successfully in the public interest since 1848 . . . a company with a consistent record of performance tuned to the needs of today, geared to the opportunities of tomorrow.
. . . a company that has paid dividends continuously without interruption since 1848
. . . a company which has succeeded in reducing the average cost of natural gas to residential customers from $3.39 in 1955 to $1.27 per Mcf in 1972.
. . . a company that serves 158,081 more natural gas customers today than only 10 years ago
. . . a company whose gross gas sales are 252% more in dollars and 322% more in volume than 10 years ago
. . . a company that through acquisition, is extending its reach beyond the major utility business where, traditionally, it is a leader
. . . a company that, in 1956, because of its willingness to contract for large quantities of gas beyond its foreseeable market made possible the TransCanada PipeLine and the development of the Alberta gas fields
. . . a company which has earned the confidence of the public, its customers and its shareholders.

This is a story of your company as it starts its 125th year.

COMMUNE BONUM

FOR THE GOOD OF THE COMMUNITY

The Annual and a General Shareholders' Meeting will be held at 12.00 noon, December 11, 1972 in the Blue Flame Auditorium,
19 Toronto Street, Toronto, Ontario.

The Consumers' Gas Company 124th ANNUAL REPORT for the year ended September 30, 1972

HIGHLIGHTS

Net income reached all time high

Increases in gas sales in all market categories

Participation in Home Oil increased by purchase of additional shares of Cygnus Corporation and shares of Home Oil

Capital Expenditures total $51 million

$32 million debenture issue in February 1972

$75 million bond issue in October 1972

	1972	1971	% Increase
Gas Sales Revenues			
Residential	$70,122,000	$67,325,000	4
Commercial	$55,178,000	$46,406,000	19
Industrial and other	$72,113,000	$44,549,000	62
Gas Sales – MCF			
Residential	55,320,000	53,465,000	3
Commercial	65,969,000	54,651,000	21
Industrial and other	118,757,000	70,548,000	68
Number of Active Customers (Year End)			
Residential	391,270	375,275	4
Commercial	32,985	30,755	7
Industrial and other	5,295	5,176	2
Average Use per Residential Customer – MCF	141.0	141.7	
Average Revenue per MCF			
Residential	$1.27	$1.26	
Commercial	$ .84	$ .85	
Industrial	$ .61	$ .63	
Net Income for the Year available for Dividends and Reinvestment in the Business	$23,311,000	$21,561,000	8
Basic Earnings per Common Share	$1.28	$1.18	8
Dividends Paid per Common Share	$ .88	$ .80	10

See pages 28-31 for 10-year Financial and Operating Statistics.

The Consumers' Gas Company welcomes the use of this report to shareholders by the public, investors, students and others. It is suggested, however, that care be taken to avoid the dangers of misinterpretation which could result from taking certain items out of context. The officers and directors of the Company have endeavoured to make full disclosure of all material facts in this report and would appreciate the use of care in referring to its contents.

Directors and Officers

DIRECTORS

Oakah L Jones*
Chairman of the Board
The Consumers' Gas Company
Cygnus Corporation Limited
Home Oil Company Limited
Director – Canada Permanent Companies
Director – Boiler Inspection and Insurance Company of Canada
Director – Rubbermaid (Canada) Limited
Chairman of the Board – Ontario Research Foundation

J. K. Macdonald*
Chairman of the Board – Confederation Life Insurance Company
Director – Canada Permanent Companies
Director – The Dominion Insurance Corporation

A. R. Poyntz*
Chairman of the Board and Chief Executive Officer – The Imperial Life Assurance Company of Canada
Director – M.E.P.C. Canadian Properties Limited
Director – Impco Properties Limited
Director – The Investors Group

W. H. Zimmerman, Q.C.
President – Commonwealth Group of Funds
Director – The Becker Milk Company
Director – Scythes & Company Limited
Director – Inter-Provincial Diversified Holdings Ltd.
Director – Home Oil Company Limited

Hon. T. D'Arcy Leonard, C.B.E., Q.C.*

J. C. McCarthy
President – The Consumers' Gas Company
Director – Home Oil Company Limited
Director – The Toronto-Dominion Bank

R. H. Carley, Q.C.
Partner – Carley, Lech, Fitzpatrick & Ebbs, Solicitors
Director – Kesco Holdings Limited

Noah Torno, M.B.E.
President – Gramercy Holdings Limited
Director – The Canada Trust Company
Director – Cemp Investments (Ontario) Limited
Director – Cygnus Corporation Limited

J. D. Gibson*
Chairman – Canadian Reinsurance and Canadian Reassurance Companies
Chairman – Eddy Match Company Limited
Director – The Imperial Life Assurance Company of Canada
Director – Harding Carpets Limited
Director – Steel Company of Canada Limited
Director – Bell Canada
Director – National Trust Company Limited
Director – Home Oil Company Limited
Director – Moore Corporation Limited
Director – Northern Electric Company Limited
Chairman of the Board of Trustees of Queen's University
Member of the Ontario Economic Council

D. B. Mansur, C.B.E.
President – Kinross Mortgage Corporation
Chairman – Royal Insurance Group
Director – Guaranty Trust Company
Director – Markborough Properties Limited

A. G. S. Griffin
Chairman of the Board – Triarch Corporation Limited
Chairman – The Commercial Life Assurance Company of Canada
Chairman – The Halifax Insurance Company
President – Toronto & London Investment Company Limited
Director – Cygnus Corporation Limited
Director – Canadian Corporate Management Company Limited
Director – Canadian Industries Limited
Director – New Kingston Hotel Limited, Jamaica
Director – Raymond International Inc. Houston, Texas
Director – United Dominions Corporation (Canada) Limited
Director – Victoria and Grey Trust Company
Director – Waltec Industries Limited

H. E. Langford, Q.C.
Director – The Dominion of Canada General Insurance Company
Director – Home Oil Company Limited
Director – Empire Life Insurance Company
Director – Ontario Hospital Association
Director – Victoria and Grey Trust Company

G. W. Carpenter
Executive Vice-President and General Manager – Utility Operations, The Consumers' Gas Company

F. W. Hurst
Executive Vice-President and General Manager – Commercial Operations, The Consumers' Gas Company
Director – Home Oil Company Limited

R. S. Paddon
Partner – Zimmerman & Winters, Solicitors
Director – Cygnus Corporation Limited
Director – Home Oil Company Limited

*Executive Committee

OFFICERS

Oakah L Jones
Chairman of the Board

J. C. McCarthy
President

G. W. Carpenter
Executive Vice-President and General Manager – Utility Operations

F. W. Hurst
Executive Vice-President and General Manager – Commercial Operations

J. B. Haslam
Secretary

E. W. H. Tremain
Treasurer and Assistant Secretary

K. J. Harry
Comptroller

R. L. Goodenough
Regional Manager – Provincial Gas Operations

D. W. Lindstedt
General Manager – Eastern Area and Vice-President, St. Lawrence Gas Company, Inc.

L. Massé
President – Société Gazifère de Hull, Inc.

D. Vien
Vice-President and Secretary – Société Gazifère de Hull, Inc.

W. C. Currier
General Manager – Société Gazifère de Hull, Inc.

W. F. Benson
General Manager – St. Lawrence Gas Company, Inc.

Ottawa Executive Board

A. Betcherman
Oakah L Jones
Orian Low, Q.C.

A new 4,200 horsepower compressor engine being installed at the Tecumseh Gas Storage Limited plant facility in Lambton county, in Southwestern Ontario. This and five similar machines provide the power required to deliver natural gas to the Consumers' market at volumes of up to 450 million cubic feet per day.

Report to the Shareholders

The Consumers' Gas Company has enjoyed a long history of success brought about through the dedication of its employees and careful planning for the future. The 1971-72 year illustrates this with a further increase in net income available for dividends and reinvestment in the business to $23,311,000 and basic earnings per common share to $1.28. Significantly higher sales volumes have not been matched by a corresponding increase in earnings per share because of increased gas costs, increased cost of wages, salaries, taxes and interest charges.

Gas Utility System

The distribution of natural gas continues to represent the major segment of your Company's operations from which $197,413,000 of total revenues of $212,449,000 were received during 1972.

Gas Sales

Gas sales increased from 179 billion cubic feet in 1971 to 240 billion cubic feet in 1972 or 34%. Revenues from gas sales increased by $39 million during the year. This increase was influenced significantly by sales to the Richard L. Hearn Generating Station during the first year of this long term contract. The Hearn contract and other large industrial sales are also beneficial to the residential and commercial customer through helping the Company to maintain a high purchase gas load factor. Sales increases were experienced in all categories, particularly in commercial accounts through sales to a large number of hotels, hospitals, government buildings and multiple dwellings where revenues increased by 18.9%. Approximately 22,000 new residential heating customers have been added to the system during the year as a result of an increase in the number of completions of new houses as well as older

(*Top*) Carolyn Slattery, one of the 175 summer students employed by the Company as part of a program to provide staff required to complete special projects on schedule and relief for permanent employees during the vacation period.

(*Bottom*) "Mr. Neil", a self-propelled, jack-up drilling platform owned by Consumers' and operated by its wholly-owned subsidiary, Underwater Gas Developers Limited, in Lake Erie.

dwellings being converted from other energy sources.

The Company continues to encourage the public to take advantage of pollution free natural gas for heating, water heating, cooking and other purposes. The Company participates annually in the National Home Show, the Canadian National Exhibition, as well as exhibitions in the Ottawa Valley and the Niagara region, and is constantly providing cooking demonstrations in various Blue Flame Rooms throughout the system. These Blue Flame auditoriums are also made available free of charge to community groups as a public service.

Your employees also work with developers and builders to encourage the use of natural gas in their plans for future projects.

The planning and installation of the facilities and services which make these sales increases possible require training, skill and initiative. These facilities involve a large investment in mains, services, meters and related equipment, the entire cost of which normally is borne by your Company. The cost of supplying gas service, of raising the funds for the large capital investment and of operating the gas system is increasing every year. During the past fiscal year, approximately $44 million was invested in facilities to expand the utility system; included in this program was the extension of service to the villages of Erin, St. Davids and Port Perry in Ontario and to Aylmer in Quebec. The Company is taking advantage of modern technology through the use of corrosion resistant plastic pipe in a large portion of its small diameter mains and services. This has enabled the Company to maintain its high standard of dependable service and achieve cost reduction at the same time.

Despite constant efforts to keep expenses as low as possible, the Company is approaching a point where general inflationary pressures and higher gas purchase

(*Top*) In 1972 drilling was concentrated in Lake Erie where 32 wells were drilled. In addition, Underwater Gas Developers works as an independent drilling contractor for the oil and gas industry on land.

(*Bottom*) Bette Johnston one of the Home Service staff who arranges demonstrations to various groups to acquaint present and future users with the advantages of natural gas.

costs will force your management to apply to the Ontario Energy Board for permission to pass on these higher costs, which are beyond the Company's control, to its customers. Your Directors are very proud of the fact that Consumers' Gas has not requested a rate increase in eighteen years, but they realize that the Company's excellent credit rating cannot be maintained unless a method is established to pass on to the customers served by the Company increases in costs which the Company cannot control. Your Company believes that the increases in gas rates will be proportionately smaller than those implemented by other competing fuels.

During the past year, St. Lawrence Gas Company Inc., your subsidiary company which distributes natural gas to customers in parts of Northern New York State, after a public hearing, received an order from the New York State Public Service Commission permitting increases in rates which will provide relief in the form of additional annual revenue of approximately $720,000. Société Gazifère de Hull, Inc., a subsidiary company servicing Hull, Quebec and surrounding areas, is applying to the Quebec Electricity and Gas Board for permission to increase its rates.

Gas Supply

Over the past year much has been said and written about the growing energy crisis in general and the price and supply of natural gas in Canada in particular. In this regard, your Company has consistently maintained that adequate additional gas reserves will continue to be developed to supply the demands of Canadian customers if the price for such additional gas in the field provides sufficient economic incentive to encourage the necessary exploration and drilling. We have further stated that Canadian customers will be

prepared to pay just and reasonable prices for this attractive fuel in order to ensure an adequate supply. Your management continues to participate actively in all discussions and formal hearings affecting such issues vital to the Company's and its customers' future well being. During the past year, Consumers' has appeared at the hearing before the National Energy Board in TransCanada's application for a rate increase and at a hearing called by the Alberta Government to review the field pricing of gas in Alberta.

Consumers' Gas, together with two other major gas distribution utilities in Ontario is continuing to pay TransCanada PipeLines Limited, the principal supplier of gas, an additional 2.1c per Mcf for all volumes delivered for use in Ontario beginning January 1, 1972. These arrangements, which permitted needed pipeline expansion by TransCanada to be financed by it, will remain in effect until such time as the National Energy Board has issued its final decision in TransCanada's application to increase its rates. In accordance with an accounting order issued by the Ontario Energy Board, the Company is deferring in its accounts this interim increase in cost of gas which to September 30, 1972 amounted to $3,560,000, pending further consideration by the Ontario Energy Board of gas rates which the Company will be allowed to charge in Ontario.

Tecumseh Gas Storage Limited, which is owned 50% by your Company and 50% by Imperial Oil Limited is currently increasing its compressor plant facilities by 28%. Natural gas is compressed and stored in underground reservoirs during the summer months and drawn out from storage on colder days during the winter. This is a vital supplement to our normal pipeline supply and enables your Company to provide a dependable supply of gas at the lowest possible cost. During periods of heavy demand, storage facilities in

Hyatt House, one of the new hotels recently opened in Toronto, uses natural gas for heating, water heating, cooking, swimming pool heating and decorative lighting. Such installations add to the ever-increasing commercial market for natural gas.

Southwestern Ontario supply up to 50% of the gas used within the Consumers' system.

Home Oil Company Limited

In the past year, additional steps were taken to give the Consumers' Gas shareholders an opportunity to participate to a greater extent in the economic development of the natural resource field through additional investments in Cygnus Corporation Limited and Home Oil Company Limited. Shareholders will recall that in April 1971 Consumers' Gas purchased the controlling interest in the voting shares of Cygnus which had effective voting control of Home Oil. In November 1971 Consumers' purchased 275,506 Class B (voting) shares of Home Oil and in May 1972 an additional 389,084 Class A and 1,282 Class B shares of Home were purchased together with 173,540 Class A and 2 Class B shares of Cygnus. In September 1972 Consumers' Gas offered to purchase the remaining shares of Cygnus and as a result acquired an additional 1,078,358 Class A shares and 1,085,349 Class B shares. The result of these transactions is such that as of November 9, 1972 Consumers' Gas owns 1,251,898 Class A shares and 2,502,180 Class B shares of Cygnus being 92.2% of all Cygnus shares outstanding. In addition to other investments, Cygnus owns 1,000,000 Class B shares of Home Oil which together with the Company's direct ownership of 389,084 Class A and 276,788 Class B shares means that Consumers' Gas controls 49.6% of the votes of Home Oil and participates to the extent of approximately 22% in the earnings of Home Oil. The total cost of this participation in Home Oil now amounts to approximately $60 million on which your Directors expect to achieve a significant return in the future.

The interim report of Home Oil for the nine months

"Service is our Business" typified by our smartly-uniformed servicemen and distinctively identified motor vehicles, so much in evidence throughout our market area.

ended September 30, 1972 has been reproduced on pages 32 and 33 for the information of the shareholders of Consumers' Gas.

Other Commercial Activities

In addition to its investments in Home Oil and Cygnus, your Company is continuing its activities in other fields in order to develop non-regulated earnings to supplement the regulated utility earnings in future years.

Gas and Oil Exploration

The Company's own activities in the exploration for gas and oil has continued during the year with work being carried out in the James Bay lowlands and under Lake Erie. In addition, exploration activity in Northern Ontario, under Hudson Bay and James Bay and in Alberta is being carried out in participation with other companies. The Company spent approximately $6.8 million on exploration activities in 1972.

Underwater Gas Developers Limited, Consumers' Gas subsidiary, in addition to doing contract drilling for others, continues to carry out a significant amount of work in Lake Erie for Consumers' Gas where 32 wells were drilled this year, of which 15 wells were completed as gas producers. Production of gas from Lake Erie amounts to approximately 1% of the Company's current requirements. During the year, a study made by DeGolyer and MacNaughton, Dallas, Texas determined the estimated original gas reserves recoverable from Consumers' Lake Erie acreage developed to the end of the 1971 drilling season to be 61.5 billion cubic feet. These reserves are not large by Arctic or Western standards but are of considerable value because of their location relative to our market.

Computer Activities

The Company is continuing to progress in developing

(*Top*) The IBM 370/155 computer installed in the Victoria Park Centre is the major unit used by Consumers' Computer Limited, to provide over 130 businesses with a wide range of computer services.

(*Centre*) Every year additional mains are laid to serve new customers and to open new areas for market development.

(*Bottom*) Micro-film viewer, permits inspection of the location of mains and street services, conveniently filed on film for the entire system.

computer services through Consumers' Computer Limited and Business Innovations Limited. In order to serve the market and coordinate the selling and installation efforts more effectively within the computer service group, The Harrow Group Limited, previously 50% owned, has been fully acquired. Computer services provided to customers obtained over the last three years now exceeds those provided to the gas utility and the number of new accounts signed in the last three months of the fiscal year is greater than in any previous quarter. Price competition in the computer service field has precluded the computer operation from becoming a contributor to overall earnings as yet but a continuation of the present growth is expected to change this situation within the next year.

T-Scan Limited, which is approximately 60% owned by the Company, has had signal success in the original and subsequent sales of terminals to the Sao Paulo Stock Exchange in Brazil. This Exchange has taken advantage of Canadian equipment including T-Scan to establish an electronic information and transaction network which could eventually lead to "floorless trading", a goal of many development efforts of exchanges.

T-Scan is now represented by agents in Europe and South America as well as by its own representatives and agents in North America. The bringing to market of this new concept of terminals for transaction networks has been time consuming and is not yet profitable, but the prospects for the terminal as the cornerstone of transaction oriented networks is indeed encouraging although it continues to be a highly competitive market.

Real Estate Activities

Consumers' Gas through Consumers' Realty Limited, is also continuing its activities in development real

This year the National Home Show exhibit of Consumers' Gas featured "The Bubble"—a geodesic dome structure over the centre area, dramatically displaying the many uses of natural gas in a truly modern setting. More than 74,000 visitors inspected the model home.

estate with land holdings in Ottawa, Whitby and Toronto. In Whitby, Consumers' Realty has sold 17 acres of land in its industrial park this year. Among the purchasers is a pharmaceutical company which now has a 75,000 sq. ft. plant under construction, and a printing company which recently completed a 20,000 sq. ft. building to house its expanded operations. Two other buildings are in the planning stage. In addition, interim loans are made through Consumers' Realty to builders and developers who agree to the use of natural gas from your Company while second mortgage loans are made to ultimate purchasers of housing units utilizing natural gas.

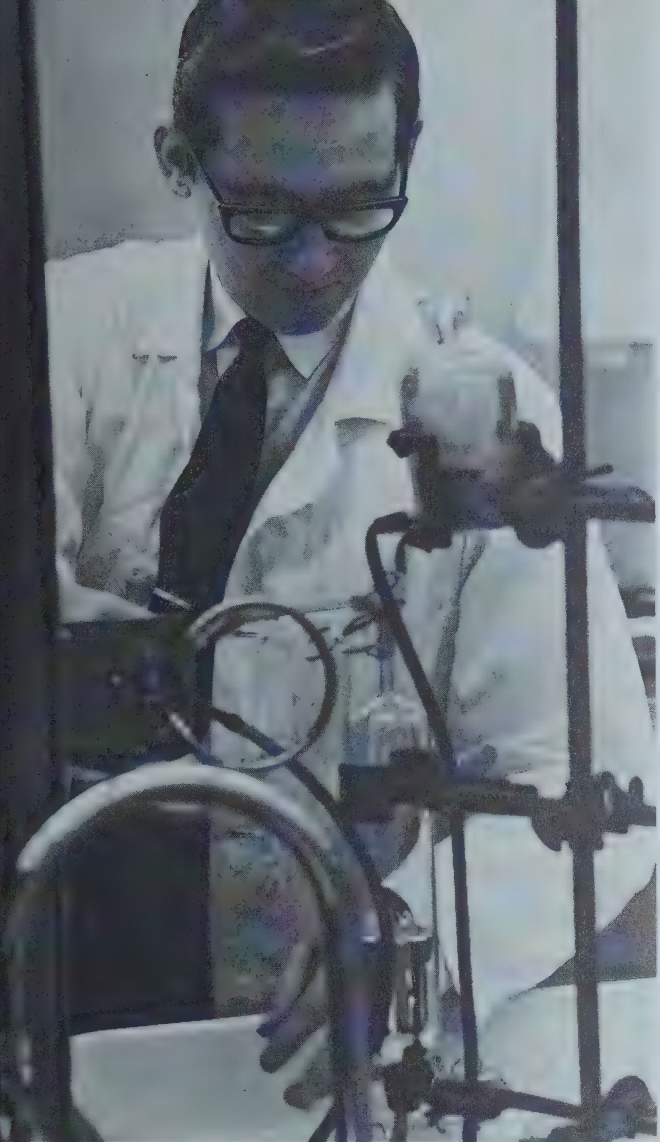
Company Consulting Activities

Recently, the Company in consortium with Natron Engenharia S.A. was awarded a consulting contract in Brazil to plan and develop the economics for the expansion of the gas distribution system in the city of Rio de Janeiro. This consulting contract is indicative of the high regard with which your Company and its employees are held in the gas industry throughout the world.

Research and Development

Consumers' Gas is conscious of the necessity of adequate research and development work to keep natural gas competitive in the rapidly changing technology of today. The Company supports a number of research projects through the Canadian Gas Association and the Institute of Gas Technology to assist the Company's customers and the industry as a whole to develop better products to advance and improve the utilization of natural gas.

Through these efforts, substantial improvements in the design of water heaters have been developed. It is



(*Top*) Research activities of Consumers' Gas are carried out continuously to assure the most efficient use of natural gas in its many applications in home, business and industry.

(*Bottom*) The Odotron, a mobile vehicle, tests the amount of odor in natural gas at various test stations throughout the system.

planned to field test the improved water heater designs with the objective of improving the quality of hot water service and appliances.

Your Company continues to concentrate in research and development activities aimed at protecting the environment both in the areas of air and noise pollution. The Company has just completed a one year test program with dual fuel vehicles which has confirmed, without any doubt, that natural gas can substantially reduce pollution caused by automobiles. Consumers' Gas is expanding its fleet of dual fuel vehicles which will be run principally on natural gas to become the largest fleet operation of this type of vehicle in Canada.

Financial

The consolidated financial statements contained in the 1972 Annual Report include the accounts of The Consumers' Gas Company and all subsidiary companies. Included, this year, are the accounts of Cygnus Corporation for the first time, as the initial purchase of Cygnus shares was not finally completed until February, 1972. For ease of comparison, the 1971 figures have been restated as though consolidated earlier.

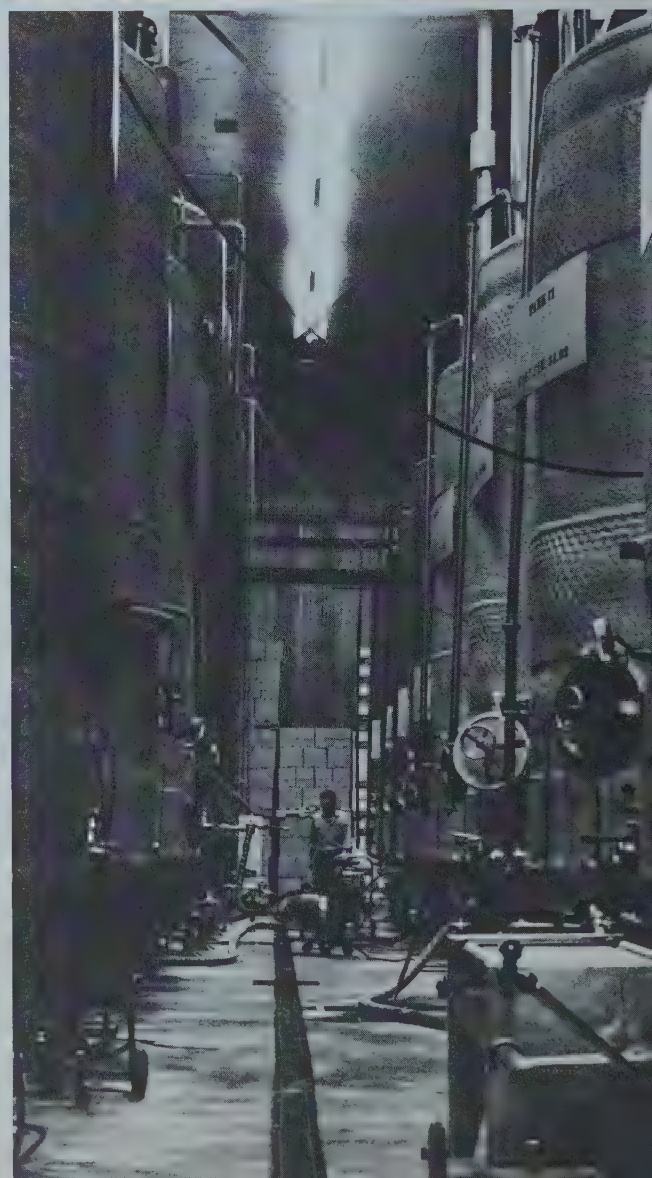
The earnings of Home Oil, Tecumseh Gas Storage Limited and other companies in which Consumers' has a substantial interest are accounted for on the equity basis of accounting under which the consolidated financial statements take into income the Consumers' Gas portion of these companies' earnings and record the investment at the book value of underlying net assets.

Total revenues increased during the year by 24% from $171,291,000 in 1971 to $212,449,000 in 1972.

Operation and maintenance costs increased by $4,490,000 or 17% as a result of an increased scale of operations, increased wages and other costs. All costs

(*Top*) Building activity in "Erin Mills New Town", a new concept in total community development on 7,000 acres west of Toronto. Natural gas is planned for some 51,000 housing units scheduled for completion within the next twenty years.

(*Bottom*) Giant vats in a Niagara winery. A completely new, fully automated concentrator, using high pressure steam produced by natural gas provides exact temperatures and quality control during one of the vital stages of wine making.



are reviewed constantly to ensure the Company gains from the efficiency of growth but, unfortunately, these economies of scale cannot offset increased costs indefinitely.

Costs of new plant and equipment are also increasing which, together with the growing demand for gas service, results in higher levels of capital expenditures. In 1972 capital expenditures amounted to $51 million and the requirements of the current year will likely be of the same dollar magnitude.

The net income for the year available for dividends and reinvestment in the business amounted to $23,311,000, an increase of 8% over the previous year. After allowing for preferred dividends, this represents basic earnings for common shareholders and reinvestment in the Company of $1.28 per share as compared to $1.18 per share for 1971. Dividends of 88c per share were paid to Consumers' shareholders as compared to 80c per share in the previous year. A portion of the improvement in earnings is a result of relatively lower income taxes which resulted from increased capital cost allowances available from increased capital expenditures, the Province of Ontario investment tax credit, the removal of the federal surtax and the lower rates of taxation implemented for all corporations in 1971.

Two issues of long term debt were arranged during the past year. In February, the Company received the proceeds of a $32,000,000, twenty year, 8% Debenture issue and, in October, the proceeds of a $75,000,000, twenty-one year, First Mortgage Bond issue. This latter issue consisted of $60 million in Canadian funds with a coupon of 8⅝% and $15 million in U.S. funds with a coupon of 8%.

In order to assist the shareholders of the Company in the preparation of their income tax returns for 1972

(*Centre*) Consumers' exhibit at the C.N.E. as usual, attracted large crowds acquainting thousands with the many ways natural gas serves the community. Three and one half million people visited the C.N.E. during the 19 day exhibition in 1972.

(*Bottom*) Natural gas is without substitute in many industrial processes requiring critical control of flame applied directly to the product. Here, glass ampoules are being formed for the pharmaceutical industry by Wheaton Glass Company of Canada Ltd.

and subsequent years Valuation Day values, which were announced by the Federal Government, are as follows:

Common Shares	\$19.50
5½% Preference Class A	\$83.25
5½% Preference Class B	\$84.00

For the assistance of bondholders who also have the option of using Valuation Day values, the following are provided as values of the most widely held of the Company's outstanding debt issues:

5½% Convertible Sinking Fund Debentures due February 1, 1989	\$96.50
8⅛% Sinking Fund Debentures due February 1, 1991	\$100.50

Personnel and Labour Relations

The accomplishments of the year were made possible by the foresighted policies adopted by your past and present Directors and by the cooperative efforts of all the employees in the many departments of the Company. Your Directors are proud of the efforts put forth by these men and women and have confidence in their ability to achieve the corporate goals for the future.

Approximately 50% of the Company's employees are represented by locals of various unions. Contracts with three of these locals were renewed during the year while one expires in November, 1972 and two others in 1973. The agreements signed in the past year include higher wages and greater benefits for our employees in line with industry standards. Your Company assists employee development by providing 'in house' educational courses and encourages participation in community activities. In addition, the Company has participated in Government training programs to help to ease the unemployment situation and hires a number

of students during the summer to assist on special projects or to serve as vacation replacements.

Outlook

The coming years will be years of decision in the natural gas industry. The future cost of gas to your Company is expected to increase materially as a result of field price increases in Alberta as desired by the producers and by the Alberta Government and the National Energy Board is expected to announce its decision regarding rates to be charged by the Company's major supplier, TransCanada PipeLines.

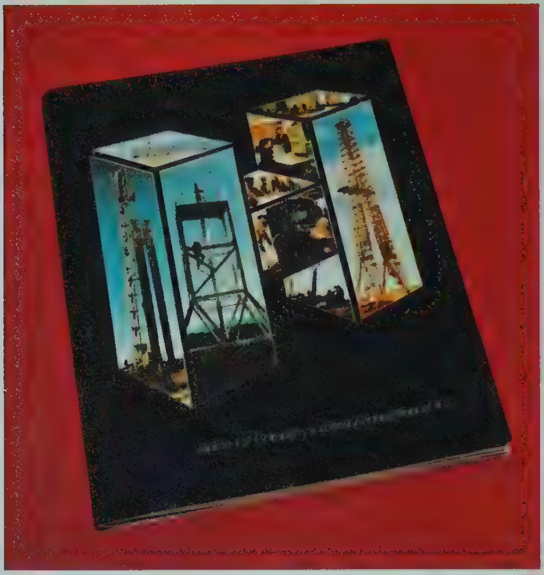
The effect of these actions on the cost of gas to your Company is difficult to determine but your Directors are fully aware of the necessity of being able to obtain prompt action by regulatory commissions to allow these non-controllable cost increases to be passed on to the ultimate customers in a fair and prompt manner.

Next year will be another year of progress. The population growth in the service area continues unabated bringing with it new residential and commercial customer demands for natural gas. Your Directors look forward to many prosperous years and continuing good service to the community.

Chairman of the Board

President

Consumers' Gas is now in a position to participate in the earnings of Home Oil Company Limited to the extent of approximately 22%. This investment in the oil and gas exploration and development field gives Consumers' Gas shareholders an opportunity to share in present and future growth of this segment of the industry.



The T-Scan transaction oriented terminal at the official opening of the new trading floor at the Sao Paulo Stock Exchange in Brazil. All floor trading at this important Exchange is processed through an "on-line" T-Scan system which is one of the most advanced electronic floor trading systems in the world.

THE
Consumers' Gas
COMPANY

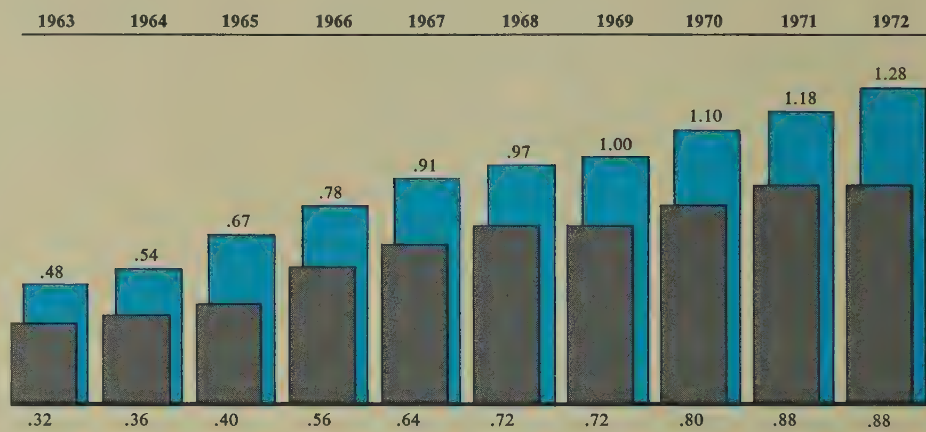
September 30, 1972

FINANCIAL STATEMENTS

The Consumers' Gas Company and subsidiary companies

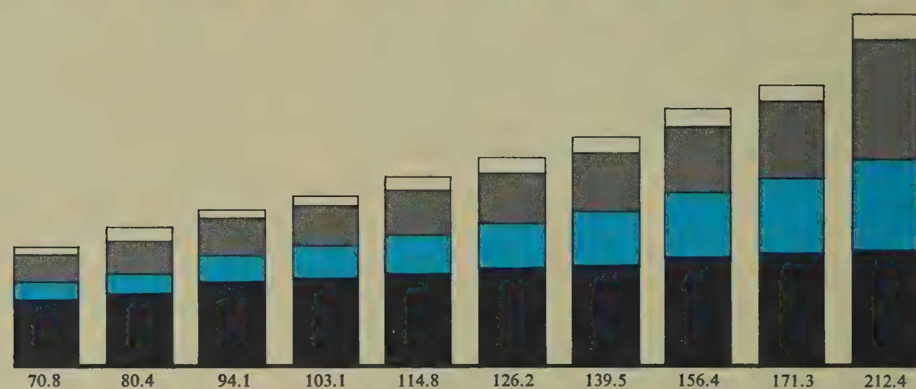
Earnings and Dividends
per Common Share ($1.28 and $.88)

Basic Earnings (before extraordinary items)
Current Annual Dividend Rate



Revenues ($212,449,000)

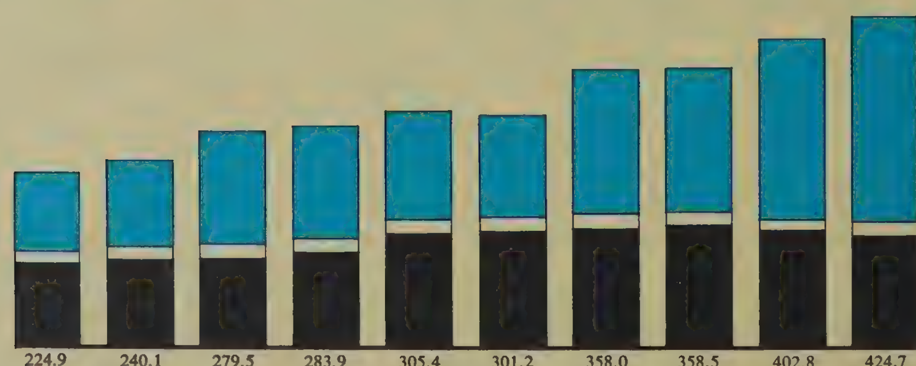
Other revenue
Industrial and other
Commercial
Residential



Cash Flow From Operations ($39,796,000)

Capitalization ($424,706,000)

Long Term Debt
Preference Shares
Common Equity



Consolidated Statement of Income

The Consumers' Gas Company and subsidiary companies
(Expressed in Thousands)

000

Years ended September 30	1972	1971 (restated, note 2)
REVENUE		
Gas sales	$197,413	$158,280
Other	15,036	13,011
	212,449	171,291
COSTS AND EXPENSES		
Gas costs	115,596	85,413
Operation and maintenance	31,513	27,023
Depreciation and depletion	13,049	11,237
Municipal and other taxes	4,266	4,180
Interest and amortization—long term debt	15,878	12,922
Other interest	2,865	2,254
	183,167	143,029
	29,282	28,262
Equity in earnings (note 3)		
Home Oil Company Limited (including gain on sale of investments of $206 in 1972)	915	116
Tecumseh Gas Storage Limited and other companies	876	832
Income before income taxes	31,073	29,210
Income taxes (note 6)		
Current	4,368	5,287
Deferred	3,394	2,362
	7,762	7,649
Net income for the year available for dividends and reinvestment in the business	23,311	21,561
Dividends		
Preference shares	901	919
Common shares	15,406	14,344
	16,307	15,263
Net income reinvested in the business	$ 7,004	$ 6,298
Basic earnings per common share (note 12)	$ 1.28	$ 1.18

Consolidated Balance Sheet

The Consumers' Gas Company and subsidiary companies
(Expressed in Thousands)

ASSETS	September 30 1972	1971 (restated, note 2)
CURRENT ASSETS		
Cash and deposits	**$ 2,177**	$ 2,761
Accounts receivable (including accounts receivable on merchandise finance plan, 1972—$9,650, 1971—$10,160)	**26,420**	23,489
Materials and supplies at the lower of cost and market	**5,414**	4,531
Gas stored underground at cost	**14,605**	18,250
Prepaid expenses	**1,220**	2,526
	49,836	51,557
INVESTMENTS (note 3)		
Home Oil Company Limited at equity in underlying net assets	**34,943**	21,614
Tecumseh Gas Storage Limited and other companies at equity in underlying net assets	**5,931**	5,508
Other quoted securities at cost	**18,136**	18,136
Sundry investments at cost	**41**	274
	59,051	45,532
PROPERTY, PLANT AND EQUIPMENT at cost or redetermined value (note 4)	**506,172**	460,944
Accumulated depreciation and depletion	**77,005**	68,420
	429,167	392,524
OTHER ASSETS AND DEFERRED CHARGES		
Mortgages receivable	**7,122**	6,705
Property held for resale and other assets	**2,353**	2,815
Unamortized debt discount and expense	**2,485**	2,100
Other deferred charges (note 5)	**5,675**	2,968
	17,635	14,588
	$555,689	$504,201

Approved by the Board:
J. K. MACDONALD, *Director*
J. C. McCARTHY, *Director*

LIABILITIES	September 30 1972	1971 (restated, note 2)
CURRENT LIABILITIES		
Bank borrowings	$ 69,461	$ 20,058
Notes payable	4,587	27,168
Accounts payable and accrued	22,639	21,094
Accrued interest on long term debt	3,025	2,815
Taxes payable	1,308	—
Dividends payable October 1	4,075	4,076
Funded debt payable within one year	1,121	1,715
	106,216	76,926
LONG TERM DEBT		
Funded debt (note 7)	255,822	229,799
Mortgages payable	1,289	907
Bank indebtedness, secured (1972—U.S. $4,839, 1971—U.S. $5,334)	4,759	5,400
	261,870	236,106
DEFERRED INCOME TAXES (note 6)	12,285	8,891
MINORITY INTEREST IN SUBSIDIARY COMPANIES (note 8)	12,482	15,549
SHAREHOLDERS' EQUITY		
Capital stock		
Preference shares (note 9)	16,320	16,753
Common shares (note 10)		
Authorized—75,000,000 shares without par value		
Issued —17,509,348 shares (1971—17,495,745 shares)	72,926	72,712
Contributed surplus	3,233	3,195
Excess of net redetermined value of property, plant and equipment over depreciated book cost (note 4)	15,761	17,576
Reinvested earnings	54,596	56,493
	162,836	166,729
	$555,689	$504,201

Consolidated Statement of Reinvested Earnings

The Consumers' Gas Company and subsidiary companies
(Expressed in Thousands)

Years ended	September 30 1972	1971
Balance at beginning of year	$ 56,493	$ 62,113
Net income reinvested in the business	7,004	6,298
Amounts realized through depreciation provisions, transferred from excess of net redetermined value of property, plant and equipment over depreciated book cost	349	349
	63,846	68,760
Deduct		
Excess of investment in shares over equity in underlying net assets at dates of acquisition		
Home Oil Company Limited (note 3)	7,938	—
Cygnus Corporation Limited and other subsidiaries (note 1)	1,312	12,267
	9,250	12,267
Balance at end of year (note 11)	$ 54,596	$ 56,493

Consolidated Statement of Source and Use of Funds

(Expressed in Thousands)

Years ended	September 30 1972	1971 (restated, note 2)
SOURCE OF FUNDS		
Cash flow from operations	$ 39,796	$ 34,938
Issue of funded debt	32,000	50,000
Minority interest, equity in undistributed earnings	576	—
Issue of common shares	212	134
Increase in mortgages payable, net	382	199
Reduction in mortgages receivable and other assets, net	206	(482)
	73,172	84,789
USE OF FUNDS		
Net additions to property, plant and equipment	51,176	43,569
Investment in shares of subsidiary companies adjusted for working capital position at dates of acquisition	4,184	20,558
Investment in shares of Home Oil Company Limited	21,070	—
Investment in shares of other companies	101	80
Deferral of increased cost of gas (note 5)	3,560	—
Reduction in non-current portion of long term debt excluding mortgages payable	6,616	5,073
Preference shares purchased for cancellation	377	423
Funded debt issue costs, net	600	1,014
Dividends on preference and common shares	16,307	15,263
Miscellaneous items	192	1,590
	104,183	87,570
DECREASE IN WORKING CAPITAL POSITION	$ 31,011	$ 2,781

Notes to Consolidated Financial Statements

The Consumers' Gas Company and subsidiary companies

NOTE 1 COMPANIES INCLUDED

The consolidated financial statements include the accounts of The Consumers' Gas Company and all subsidiary companies since dates of acquisition. The investment in shares of Cygnus Corporation Limited and other subsidiaries in 1972 exceeded the company's equity in underlying net assets by $1,312,000 (including $1,264,000 adjustment for 1971) all of which is allocable to goodwill. Since goodwill purchased on acquisition of the shares of Cygnus and other subsidiaries became merged with the already existing goodwill of The Consumers' Gas Company and subsidiaries acquired prior to 1971 which has not been recorded in the companies' accounts, these amounts have been charged to reinvested earnings.

NOTE 2 RESTATEMENT OF 1971 FINANCIAL STATEMENTS

For comparative purposes, the 1971 financial statements have been restated to reflect Cygnus on a fully consolidated basis rather than on the equity method of accounting used and described in the 1971 Annual Report. The effect of this restatement is to replace in the consolidated balance sheet the company's investment in Cygnus with the assets and liabilities of Cygnus and its subsidiaries together with the minority interest therein and to replace in the consolidated statement of income the equity in earnings of Cygnus with the individual income and expense items of Cygnus and its subsidiaries. Since the equity method of accounting had been used in 1971 there is no change in the net income previously reported. The statement of source and use of funds has been restated to reflect the company's investment in Cygnus as an acquisition of a subsidiary.

NOTE 3 INVESTMENTS

The company holds directly a 9% interest in the equity of Home Oil Company Limited. A further 14% interest in the equity of Home is held by Cygnus in which the company has a 48% (39% in 1971) equity interest (see note 15). The companies follow the equity method of accounting for their investment in Home; in Community Antenna Television Ltd. in which Cygnus has an interest of 28%; and in Tecumseh Gas Storage Limited and other companies 50% owned. This method reflects the company's interest in the earnings of such companies in the consolidated statement of income (in the case of Home after the Cygnus minority interest therein) and the investments in such companies are carried on the consolidated balance sheet at the value of underlying net assets at acquisition together with the company's interest in undistributed earnings since acquisition. The company's investment in shares of Home exceeded the book value of underlying net assets at acquisition by $7,938,000, all of which is allocable to goodwill and has been charged to reinvested earnings.

Details of other quoted securities at September 30, 1972 are as follows:

	Number of Shares	Cost	Quoted Market Value
		(Expressed in Thousands)	
The Consumers' Gas Company			
Union Gas Company of Canada, Limited—common shares	700,000	$ 12,846	$ 9,275
Cygnus Corporation Limited			
Atlantic Richfield Company—common shares	50,000	5,290	3,281
		$ 18,136	$ 12,556

Notes to Consolidated Financial Statements (continued)

The Consumers' Gas Company and subsidiary companies

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the property, plant and equipment and related accumulated depreciation and depletion:

	1972		1971	
	Asset	Accumulated Depreciation and Depletion	Asset	Accumulated Depreciation and Depletion
	(Expressed in Thousands)		(Expressed in Thousands)	
The Consumers' Gas Company and subsidiaries other than Cygnus				
Gas utility plant including distribution, transmission and underground storage facilities, land, structures, pipelines, permissions, equipment, etc.	$479,443	$ 70,535	$441,176	$ 63,555
Natural resource properties (mainly under Lake Erie) including wells, gathering lines and exploration and development costs	16,373	1,203	11,351	703
Drilling and related equipment	3,972	1,545	2,215	888
Real estate held for development	3,610	2,440	3,552	2,401
Computer equipment	424	313	345	97
Cygnus Corporation Limited and subsidiaries				
Plant and equipment	2,350	969	2,305	776
	$506,172	$ 77,005	$460,944	$ 68,420

All land, plant and equipment is stated at cost, with the exception of the remaining portion of gas utility plant and equipment acquired prior to September 30, 1955 which is stated at a redetermined value of $52,643,000 at September 30, 1972 based on reproduction cost according to an appraisal made by Stone & Webster Canada Limited as at September 30, 1955. In accordance with Accounting Order U.A. 17 made by the Ontario Energy Board certain assets acquired in 1966 from subsidiaries have been reduced from appraised value to cost with a corresponding adjustment to excess of net redetermined value of property, plant and equipment over depreciated book cost.

Accumulated depreciation at the date of the appraisal was based on estimated service life. Depreciation for subsequent years has been calculated on a straight line estimated service life basis using the stated values of depreciable assets.

The increase in the depreciated value of property, plant and equipment, resulting from the 1955 redetermination (less portions of such increase realized through disposals and depreciation provisions and adjustments for the years 1956 to 1972) has been included in shareholders' equity as excess of net redetermined value of property, plant and equipment over depreciated book cost.

The companies follow the full cost method of accounting for gas and oil operations whereby all costs of exploring for and developing gas and oil and related reserves, which to date have all been expended in Canada, are capitalized and form part of property, plant and equipment. Such costs include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. These costs are depleted using the unit of production method based upon estimated recoverable reserves.

Depreciation of all other plant and equipment is calculated on the straight line estimated service life basis.

NOTE 5 OTHER DEFERRED CHARGES

The company agreed to pay TransCanada PipeLines Limited an additional 2.1¢ per mcf on gas delivered by it for use in Ontario for the period commencing January 1, 1972 until the effective date of the National Energy Board order fixing the rates to be charged by TransCanada. This agreement enabled TransCanada to finance the construction of additional pipeline facilities necessary to deliver the gas volumes required by the company in the future. In accordance with Accounting Order U.A. 11 made by the Ontario Energy Board, an amount of $3,560,000, arising from the payments under this agreement, has been deferred in the company's accounts to be amortized in future years. The Ontario Energy Board has reserved for future consideration the appropriate treatment of the deferred gas costs and the amortization thereof in relation to the fixing or approval of just and reasonable rates.

NOTE 6 INCOME TAXES

The companies follow the tax allocation basis of recording income taxes except in gas utility and like operations. In gas utility and like operations, where tax reductions arising from the differences in timing of deductions for income and tax purposes continue to accumulate for many years, rate and revenue structures are designed not to recover deferred taxes in current revenues and accordingly deferred taxes are not recorded in the companies' accounts. Such deferred taxes not recovered in revenues and not

recorded amounted to $5,986,000 in 1972, $5,906,000 in 1971 and to an accumulated amount of $64,343,000 at September 30, 1972 which has been adjusted to reflect income tax filings and assessments to date.

The 5% investment tax credit granted by the Government of Ontario is based on investment in expansion of plant. For this reason, the company is deferring the reduction in corporate income taxes which it receives and is amortizing each year's tax reduction over a five year period to offset in part the cost of carrying such new investment during the first five years of customer build up and consequent lower return thereon. Accordingly income tax reductions of $343,000 in 1972 ($110,000 in 1971) have been reflected in income and the remaining $1,262,000 recorded to date is included in deferred income taxes to be amortized over future years.

NOTE 7 FUNDED DEBT

	Maturity	Outstanding 1972	Outstanding 1971
		(Expressed in Thousands)	
The Consumers' Gas Company			
First Mortgage Sinking Fund Bonds			
3¾% Series A	1974	$ 4,579	$ 5,272
5% Series B	1978	12,890	13,834
5½% Series C	1983	16,649	17,149
4.85% Series D (1972—U.S. $13,650,000, 1971—U.S. $13,850,000)	1985	14,653	14,868
Sinking Fund Debentures			
4¼%	1974	3,000	3,631
4¾%	1976	5,020	5,810
5¾%	1977	3,341	3,730
6½%	1979	6,963	7,373
6%	1981	10,240	10,761
5½%	1982	7,922	8,219
5¾%	1984	9,181	9,526
5⅝%	1985	17,726	18,483
8⅛%	1991	50,000	50,000
8%	1992	32,000	—
Convertible Sinking Fund Debentures			
5½% (convertible into common shares at a conversion price of $23.53 per share)	1989	59,998	60,000
St. Lawrence Gas Company, Inc.			
First Mortgage Sinking Fund Bonds			
5¼% (1972—U.S. $2,568,000, 1971—U.S. $2,640,000)	1988	2,781	2,858
		256,943	231,514
Less payable within one year included in current liabilities		1,121	1,715
		$255,822	$229,799

The aggregate principal amounts of funded debt maturities and sinking fund requirements amount to approximately $4,647,000 in 1974 and $13,784,000 in 1975.

NOTE 8 MINORITY INTEREST

	1972	1971
	(Expressed in Thousands)	
Cygnus Corporation Limited		
Class A shares	$ 5,288	$ 7,728
Class B shares	6,468	7,095
T-Scan Limited Preference shares	726	726
	$ 12,482	$ 15,549

NOTE 9 PREFERENCE SHARES

Authorized

Group 1— 163,202 shares (1971—167,528 shares) of $100 each, issuable in series

Group 2— 1,000,000 shares of $100 each, issuable in series

Group 3—15,000,000 6½% convertible shares of $14 each

Outstanding, Group 1	1972 Shares	1972 Amount	1971 Shares	1971 Amount
5½% cumulative Series A, redeemable at a premium reducing from 2% to 1%	46,126	$ 4,612,600	46,921	$ 4,692,100
5½% cumulative Series B, redeemable at a premium reducing from 3% to 1%	90,876	9,087,600	93,907	9,390,700
5% cumulative Series C, redeemable at a premium reducing from 4% to 1%	26,200	2,620,000	26,700	2,670,000
		$ 16,320,200		$ 16,752,800

A retirement fund for the purchase of each class of preference shares for cancellation is required to be maintained in the amounts of $100,000 for the Series A shares, $200,000 for the Series B shares, and $60,000 for the Series C shares. These funds are required to be augmented on January 2 of each year by the amounts necessary to re-establish them at the original amounts (see note 11).

During the year, 795 Series A, 3,031 Series B and 500 Series C preference shares having an aggregate par value of $432,600 were purchased for cancellation. The amount of $56,000 by which the par value exceeded the purchase price of such shares is included in contributed surplus.

NOTE 10 COMMON SHARES

During the year, 13,518 common shares were issued for $212,000 cash and 85 shares were issued on conversion of $2,000 principal amount of the 5½% convertible debentures.

2,549,915 common shares are reserved for issue upon conversion of the 5½% convertible sinking fund debentures.

Under the terms of the Restricted Stock Option Plan approved by the common shareholders on November 19, 1956, 890,874 common shares have been set aside for purchase by key employees. At September 30, 1972, 800,292 shares had been issued under this plan and options are outstanding on 53,425 shares at $17.55 per share, which options expire on January 19, 1975. A total of 82 employees hold options under the Restricted Stock Option Plan.

NOTE 11 REINVESTED EARNINGS

Reinvested earnings includes a special account in which has been set aside, in accordance with supplementary letters patent creating the preference shares, amounts aggregating $50,000 for the purchase of preference shares for cancellation.

NOTE 12 EARNINGS PER SHARE

Earnings per share have been calculated on the weighted average number of shares outstanding during the year.

Fully diluted earnings per share (assuming conversion of the convertible debentures and exercise of stock options) are $1.20 in 1972 and $1.11 in 1971.

NOTE 13 REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration of directors and senior officers amounted to $375,442 for 1972 and $389,442 for 1971.

NOTE 14 PENSION PLAN LIABILITY

The unfunded past service liability of the company and its subsidiaries according to an independent actuarial valuation made as at December 31, 1970 amounted to $2,880,000 at that date. This obligation will be satisfied and charged to operations over 19 years in annual instalments of $223,000. Annual contributions are made and charged to operations in the amounts estimated in the actuarial valuation to be sufficient to fund all current costs of the plan.

NOTE 15 CONTINGENT LIABILITY, COMMITMENTS AND SUBSEQUENT EVENTS

The company has entered into an agreement whereby it agrees to make sufficient use of the facilities of Tecumseh Gas Storage Limited to generate the revenue required by Tecumseh to meet its obligations under Trust Indentures relating to its Series A and Series B debentures. In the event that there is any deficiency, the company will be required to purchase subordinated securities in an amount sufficient to make up the deficiency. The management of the company is of the opinion that Tecumseh will generate sufficient revenue to meet its obligations.

On October 17, 1972 the company sold $60,000,000 principal amount of 8⅝% First Mortgage Sinking Fund Bonds Series E due 1993 and U.S. $15,000,000 8% First Mortgage Sinking Fund Bonds Series F due 1993 for $73,682,000.

Pursuant to an offer made by the company for all Cygnus Class A and Class B shares 1,792,041 shares were acquired subsequent to September 30, 1972 for an aggregate consideration of $14,336,328. The company, as of November 9, 1972, holds 1,251,898 Class A shares and 2,502,180 Class B shares of Cygnus representing an equity interest of approximately 92%.

Auditors' Report

Thorne
Gunn
& Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
The Consumers' Gas Company

We have examined the consolidated balance sheet of The Consumers' Gas Company and subsidiary companies as at September 30, 1972 and the consolidated statements of income, reinvested earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn & Co.
Chartered Accountants

Toronto, Canada
November 9, 1972

OFFICES THROUGHOUT CANADA AND ASSOCIATES THROUGHOUT THE WORLD

Financial and Operating Statistics—1963-1972

Years ended September 30

Consolidated Statement of Income ($000's)	1972	1971 (Note 1)	1970	1969	1968	1967	1966	1965	1964	1963
Gas sales										
Residential	$ 70,122	$ 67,325	$ 65,177	$ 59,737	$ 58,860	$ 55,332	$ 52,432	$ 49,999	$ 42,650	$ 39,694
Commercial	55,178	46,406	40,041	33,934	27,532	23,694	19,853	16,203	12,133	9,953
Industrial and other	72,113	44,549	39,599	36,086	30,982	28,386	24,898	22,665	20,715	17,228
Total gas sales	197,413	158,280	144,817	129,757	117,374	107,412	97,183	88,867	75,498	66,875
Other revenue	15,036	13,011	11,573	9,788	8,791	7,366	5,964	5,260	4,897	3,885
	212,449	171,291	156,390	139,545	126,165	114,778	103,147	94,127	80,395	70,760
Gas costs	115,596	85,413	77,294	68,753	59,605	54,079	49,696	44,600	36,760	31,270
Operation and maintenance	31,513	27,023	24,107	21,088	20,226	19,076	17,769	17,585	17,967	17,591
Depreciation and depletion	13,049	11,237	10,114	9,259	8,541	7,793	7,018	6,363	5,803	4,563
Municipal and other taxes	4,266	4,180	3,865	3,725	2,958	2,875	2,514	2,278	2,129	1,786
Interest and amortization— long term debt	15,878	12,922	10,389	9,463	7,560	7,774	7,958	7,031	6,075	5,212
Other interest	2,865	2,254	2,116	1,683	1,519	1,037	351	895	1,172	375
	183,167	143,029	127,885	113,971	100,409	92,634	85,306	78,752	69,906	60,797
	29,282	28,262	28,505	25,574	25,756	22,144	17,841	15,375	10,489	9,963
Equity in earnings										
Home Oil Company Limited (including gain on sale of investments)	915	116	—	—	—	—	—	—	—	—
Tecumseh Gas Storage Limited and other companies	876	832	635	567	586	454	318	152	49	—
Income before income taxes and extraordinary items	31,073	29,210	29,140	26,141	26,342	22,598	18,159	15,527	10,538	9,963
Income taxes										
Current	4,368	5,287	7,841	7,440	8,373	6,507	3,446	2,416	201	1,137
Deferred	3,394	2,362	1,140	280	54	49	1,353	1,501	908	469
	7,762	7,649	8,981	7,720	8,427	6,556	4,799	3,917	1,109	1,606
Income before extraordinary items	23,311	21,561	20,159	18,421	17,915	16,042	13,360	11,610	9,429	8,357
Extraordinary items	—	—	(367)	—	—	—	1,436	809	—	—
Net income for the year available for dividends and reinvestment in the business	23,311	21,561	19,792	18,421	17,915	16,042	14,796	12,419	9,429	8,357
Preference share dividends	901	919	940	964	973	975	975	975	943	825
Net income available for common share dividends and reinvestment in the business	$ 22,410	$ 20,642	$ 18,852	$ 17,457	$ 16,942	$ 15,067	$ 13,821	$ 11,444	$ 8,486	$ 7,532

Condensed Consolidated Balance Sheet ($000's)

ASSETS:										
Current assets	**$ 49,836**	$ 51,557	$ 58,734	$ 44,189	$ 32,242	$ 28,310	$ 28,749	$ 27,511	$ 26,522	$ 26,784
Investments	**59,051**	45,532	17,749	17,058	16,790	3,598	3,339	3,201	3,049	—
Property, plant and equipment	**506,172**	460,944	419,572	394,488	369,410	335,362	312,107	290,785	273,644	251,830
Accumulated depreciation and depletion	**77,005**	68,420	60,966	58,864	56,329	41,300	36,794	33,922	30,275	27,659
	429,167	392,524	358,606	335,624	313,081	294,062	275,313	256,863	243,369	224,171
Other assets and deferred charges	**17,635**	14,588	11,997	11,697	14,058	17,463	16,150	14,945	12,645	11,438
	$555,689	$504,201	$447,086	$408,568	$376,171	$343,433	$323,551	$302,520	$285,585	$262,393
LIABILITIES:										
Current liabilities	**$106,216**	$ 76,926	$ 81,322	$ 45,136	$ 69,867	$ 32,958	$ 34,613	$ 19,351	$ 43,288	$ 36,226
Long term debt	**261,870**	236,106	185,580	190,485	136,716	141,835	144,396	146,107	112,180	103,193
Deferred income taxes	**12,285**	8,891	6,529	5,389	5,109	5,055	5,006	3,653	2,152	1,244
Minority interest in subsidiary companies	**12,482**	15,549	727	—	—	—	—	—	—	—
Shareholders' Equity										
Preference shares	**16,320**	16,753	17,176	17,645	17,925	18,000	18,000	18,000	18,000	15,000
Common shares	**72,926**	72,712	72,578	72,418	72,371	72,257	53,216	52,985	52,813	52,695
Contributed surplus	**3,233**	3,195	3,136	3,025	2,980	2,977	2,977	2,977	2,977	2,977
Excess of net redetermined value of property, plant and equipment over depreciated book cost	**15,761**	17,576	17,925	18,498	20,606	25,704	26,236	26,767	27,299	27,831
Reinvested earnings	**54,596**	56,493	62,113	55,972	50,597	44,647	39,107	32,680	26,876	23,227
	162,836	166,729	172,928	167,558	164,479	163,585	139,536	133,409	127,965	121,730
	$555,689	$504,201	$447,086	$408,568	$376,171	$343,433	$323,551	$302,520	$285,585	$262,393

Consolidated Statement of Source and Use of Funds ($000's)

SOURCE OF FUNDS										
Cash flow from operations	**$ 39,796**	$ 34,938	$ 30,602	$ 27,572	$ 25,695	$ 23,892	$ 21,721	$ 19,632	$ 16,315	$ 14,020
Issue of funded debt	**32,000**	50,000	—	60,000	—	—	—	36,102	11,000	23,098
Minority interest, equity in undistributed earnings	**576**	—	—	—	—	—	—	—	—	—
Issue of preference and common shares	**212**	134	160	47	114	19,041	231	172	3,118	637
Increase in mortgages payable, net	**382**	199	(49)	(1,163)	(720)	991	1,366	283	—	—
	72,966	85,271	30,713	86,456	25,089	43,924	23,318	56,189	30,433	37,755
USE OF FUNDS										
Net additions to property, plant and equipment	**51,176**	43,569	33,051	33,087	31,476	26,542	25,468	19,858	25,001	34,772
Investment in mortgages receivable and other assets, net	**(206)**	482	370	(2,545)	(2,505)	1,344	1,157	2,314	1,336	7,254
Investment in shares of subsidiary companies adjusted for working capital position at dates of acquisition	**4,184**	20,558	338	—	—	—	—	—	—	—
Investment in shares of Home Oil Company Limited	**21,070**	—	—	—	—	—	—	—	—	—
Investment in shares of other companies	**101**	80	—	—	12,846	—	—	—	3,000	—
Deferral of increased cost of gas	**3,560**	—	—	—	—	—	—	—	—	—
Reduction in non-current portion of long term debt excluding mortgages payable	**6,616**	5,073	4,856	5,068	4,399	3,552	3,077	2,458	2,013	1,545
Preference shares purchased for cancellation	**377**	423	469	280	75	—	—	—	—	—
Capital stock and funded debt issue costs, net	**600**	1,014	127	1,399	—	380	—	502	177	368
Dividends on preference and common shares	**16,307**	15,263	13,873	13,541	12,497	10,654	8,900	7,147	6,312	5,232
Miscellaneous items	**192**	1,590	(730)	(1,052)	(722)	236	(1,260)	(1,016)	(82)	(430)
	103,977	88,052	52,354	49,778	58,066	42,708	37,342	31,263	37,757	48,741
Increase (decrease) in working capital position	**$ (31,011)**	$ (2,781)	$ (21,641)	$ 36,678	$ (32,977)	$ 1,216	$ (14,024)	$ 24,926	$ (7,324)	$ (10,986)

Financial and Operating Statistics–1963-1972 (cont'd)

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Gas supply—MMCF										
Natural gas purchased	**229,907**	174,966	177,342	148,742	127,180	111,132	109,094	95,721	82,303	72,355
Natural gas produced	**2,651**	1,676	1,581	764	270	374	189	70	46	25
Total gas supply	**232,558**	176,642	178,923	149,506	127,450	111,506	109,283	95,791	82,349	72,380
Gas deliveries—MMCF										
Sales to customers										
Residential	**55,320**	53,465	51,568	46,942	46,326	43,270	40,885	38,883	32,184	29,842
Commercial	**65,969**	54,651	46,782	38,971	30,114	25,541	21,306	16,918	11,323	8,704
Industrial and other	**118,757**	70,548	63,110	57,939	49,124	45,323	41,213	38,203	36,277	29,273
Total sales	**240,046**	178,664	161,460	143,852	125,564	114,134	103,404	94,004	79,784	67,819
Gas into storage	**32,399**	26,186	40,908	24,039	22,256	16,305	18,093	17,096	13,973	13,314
Gas out of storage	**(42,281)**	(30,979)	(25,457)	(20,344)	(21,321)	(20,075)	(13,521)	(16,067)	(11,659)	(9,558)
Use by company	**453**	385	374	386	231	197	178	175	159	155
Unbilled and unaccounted for	**1,941**	2,386	1,638	1,573	720	945	1,129	583	92	650
Total gas deliveries	**232,558**	176,642	178,923	149,506	127,450	111,506	109,283	95,791	82,349	72,380
Maximum daily sendout MCF	**1,148,300**	977,900	855,300	739,800	719,800	616,500	524,200	489,700	416,600	370,800
Minimum daily sendout MCF	**236,600**	158,000	134,400	135,100	126,700	106,000	102,000	94,800	84,400	69,300
Average daily sendout MCF	**662,000**	497,100	447,900	399,500	346,600	315,800	286,900	259,600	219,300	188,000
Degree day deficiency (Note 2)	**7,805**	7,874	8,065	7,700	7,845	7,826	7,759	8,037	7,388	7,746
Number of active customers (year end)										
Residential	**391,270**	375,275	363,365	352,597	339,145	328,793	319,029	310,739	295,032	275,178
Commercial	**32,985**	30,755	28,428	26,342	24,503	22,569	20,837	18,530	17,190	15,876
Industrial and other	**5,295**	5,176	4,876	4,630	4,178	4,149	4,087	4,043	3,734	3,561
TOTAL	**429,550**	411,206	396,669	383,569	367,826	355,511	343,953	333,312	315,956	294,615
Cost to customers										
Average revenue per MCF										
Residential	**$1.27**	$1.26	$1.26	$1.27	$1.27	$1.28	$1.28	$1.29	$1.33	$1.33
Commercial	**$ .84**	$ .85	$ .86	$ .87	$ .91	$ .93	$ .93	$ .96	$1.07	$1.14
Industrial and other	**$ .61**	$ .63	$ .63	$ .62	$ .63	$ .63	$ .60	$ .59	$ .57	$ .59
Average use per residential customer—MCF	**141.0**	141.7	141.0	132.8	135.8	130.8	126.8	125.2	110.5	111.4

Number of shareholders										
Common	**29,895**	26,168	27,255	26,526	25,205	25,477	22,757	21,589	18,886	14,908
Preferred	**2,082**	1,920	2,032	2,116	2,218	2,263	2,290	2,350	2,401	2,411
Basic earnings per common share										
Before extraordinary items	**$1.28**	$1.18	$1.10	$1.00	$ .97	$ .91	$ .78	$ .67	$ .54	$ .48
After extraordinary items	**$1.28**	$1.18	$1.08	$1.00	$ .97	$ .91	$ .87	$ .72	$ .54	$ .48
Fully diluted earnings per common share (assuming conversion of the convertible debentures and exercise of stock options)										
Before extraordinary items	**$1.20**	$1.11	$1.04	$ .97	$ .97	$ .91	$ .78	$ .67	$ .54	$ .48
After extraordinary items	**$1.20**	$1.11	$1.02	$ .97	$ .97	$ .91	$ .87	$ .72	$ .54	$ .48
Weighted average number of common shares outstanding during the year	**17,506,093**	17,490,886	17,476,077	17,468,215	17,460,727	16,527,768	15,847,870	15,823,785	15,789,116	15,732,390
Number of employees	**2,431**	2,322	2,377	2,221	2,142	2,166	2,053	2,081	2,150	2,288
Miles of mains in use	**7,934**	7,640	7,461	7,321	7,084	6,841	6,433	6,345	6,176	5,845
Population of area served	**4,085,000**	3,960,000	3,862,000	3,765,000	3,682,000	3,610,000	3,490,000	3,340,000	3,210,000	3,115,000
Gas costs to total gas sales revenue	**59%**	54%	53%	53%	51%	50%	51%	50%	49%	47%
Operation and maintenance costs to total revenue	**15%**	16%	15%	15%	16%	17%	17%	19%	22%	25%
Income before income taxes and extraordinary items to total revenue	**15%**	17%	19%	19%	21%	20%	18%	16%	13%	14%

Note 1: For comparative purpose, the 1971 figures have been restated to reflect Cygnus on a fully consolidated basis rather than on the equity method of accounting used and described in the 1971 Annual Report.

Note 2: Degree day deficiency figures given are those for Toronto area. The deficiency is a measure of coldness during the heating season and is calculated by adding together the total number of degrees daily mean fell below 65° on those days when it did so.

HOME OIL COMPANY LIMITED and subsidiary companies
INTERIM REPORT TO SHAREHOLDERS
for the nine months ended September 30, 1972

TO THE SHAREHOLDERS

During the first nine months of 1972, Home Oil Company Limited attained record gross revenues as a reuslt of higher demand for crude oil and increased sales of natural gas.

Substantial gains in crude oil production have been achieved from the Company's Swan Hills, Mitsue, Virginia Hills, Leduc and Harmattan-Elkton properties. The recently announced increase in United States oil import quotas will result in further increases in Home's production during the final quarter of 1972. The higher gas sales originated primarily from the Carstairs and Nevis areas. Approximately 60% of Home's gas sales will be subject to price renegotiations in 1973. These renegotiations should result in a significant increase in future gas revenues.

The Company's Canadian producing operations continued to show improved net earnings during the third quarter of 1972 as compared with 1971. Our U.S. marketing subsidiary's sales of liquid products improved during the third quarter of 1972 and it is anticipated that this trend will be maintained throughout the remainder of the year. In the United Kingdom testing of the Lockton gas reservoir and its productive capability continued during the third quarter. As reported earlier, if these tests indicate that there is little possibility of recovering our investment in the Lockton plant, the amount of the investment will be charged to earnings as an extraordinary item even though limited production may continue. The write-off in such an event would approximate $3 million.

The Company continued an aggressive exploratory drilling program both in North America and overseas. During the first nine months, Home participated or had an interest in the drilling of 49 wells, 7 of which were still in progress at the end of September. This program has resulted to date in 1 oil well and 6 gas wells in Alberta and 5 gas wells in Saskatchewan. Sixteen development wells were drilled during the first nine months of the year resulting in 7 oil wells and 3 gas wells in Alberta and 1 oil well in Saskatchewan.

The Company is carrying out a geophysical program in Northeastern B.C. and a reconnaissance seismic program on Ellef Ringnes Island in the Canadian Arctic. Home is also participating in a series of group seismic programs in the Norwegian waters of the North Sea and in Irish waters.

Seismic exploration is in progress on a number of permits in Italy, offshore and on land. The Company is also a participant in exploration plays involving offshore drilling in the Greek sector of the Aegean Sea and drilling on land in the Somali Republic, Africa.

Effective January 1, 1973, Alberta crude oil producers will be subject to a new revenue plan designed to increase Provincial income by not less than $70 million per year over the ensuing five year period. This additional Provincial revenue will be obtained from either an increased crude oil royalty payment or a tax on the reserves. Home estimates that unless there is an increase in the well-head price of crude oil, the additional royalty payment in 1973 will adversely affect net earnings to the extent of approximately $1.3 million. In the Company's opinion, higher crude oil prices are required not only to offset the increase in royalty payments, but also to meet the continually escalating costs of exploration.

Oakah Jones

OAKAH L JONES
Chairman of the Board and
Chief Executive Officer

November 3, 1972
Calgary, Alberta

The unaudited Interim Report of Home Oil Company Limited is reproduced for the information of the shareholders of The Consumers' Gas Company

CONSOLIDATED STATEMENT OF EARNINGS
For the Nine Months ended September 30, 1972
($000's omitted)

	1972	1971
REVENUE		
Operating revenue	$ 25,737	$ 22,304
Investment income	3,067	2,857
	28,804	25,161
EXPENSE		
Operating	3,944	3,853
General and administrative	3,171	3,100
Depletion	6,963	5,209
Depreciation	1,928	1,622
Interest and expense on long term debt	3,665	3,397
Other interest	245	1,454
	19,916	18,635
Net earnings before income taxes	8,888	6,526
PROVISION FOR INCOME TAXES		
Current	2,740	1,483
Deferred	671	1,337
	3,411	2,820
NET EARNINGS before extraordinary item	5,477	3,706
EXTRAORDINARY ITEM		
Gain on sale of investments	2,710	—
NET EARNINGS	$ 8,187	$ 3,706
BASIC AND FULLY DILUTED EARNINGS PER SHARE		
Before extraordinary item	$ .74	$ .52
After extraordinary item	$ 1.11	$ .52
CASH FLOW	$ 14,373	$ 11,260
Per Share	$ 1.95	$ 1.59

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
For the Nine Months ended September 30, 1972
($000's omitted)

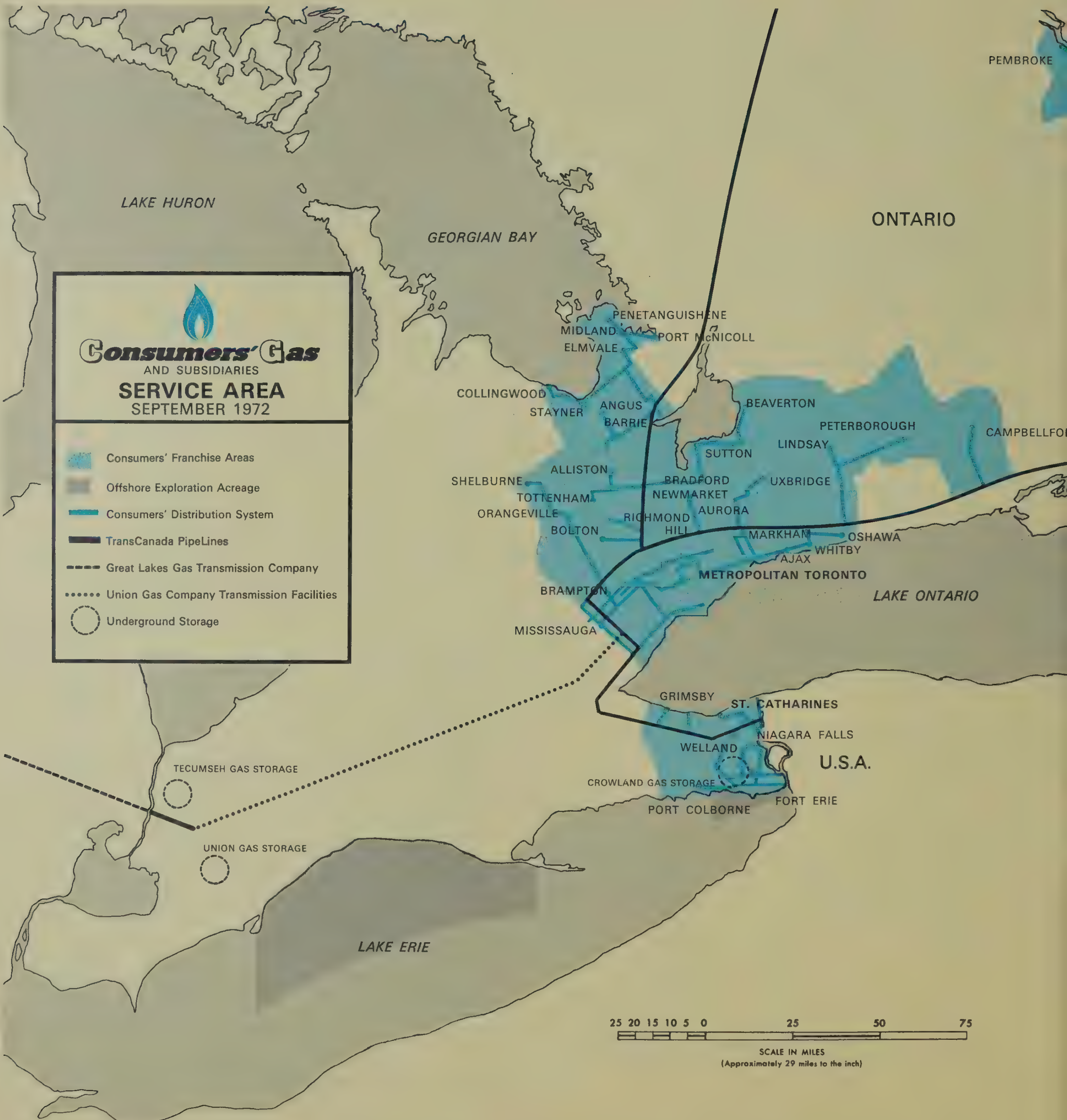
	1972	1971
FUNDS WERE OBTAINED FROM		
Net earnings before non-cash charges and credits	$ 14,373	$ 11,260
Issuance of capital stock	114	350
Sale of investments	7,946	—
Long term borrowings – net	24,500	3,269
Net decrease in other non-current assets	62	459
	$ 46,995	$ 15,338
FUNDS WERE USED FOR		
Property, plant and equipment	$ 9,576	$ 9,147
Repayment of long term debt	8,620	5,930
Dividends	2,761	2,652
	20,957	17,729
Increase (decrease) in working capital	26,038	(2,391)
	$ 46,995	$ 15,338

	SEPTEMBER 30	
	1972	1971
MAJOR BALANCE SHEET ITEMS ($000's omitted)		
Working capital (deficiency)	$ 3,942	$ (30,695)
Investments	72,463	80,339
Property, plant and equipment (net)	171,806	166,678
Long term debt (less current maturities)	72,139	57,118
Gas sales prepayment	1,680	1,680
Deferred income taxes	27,507	26,881
Capital and surplus	148,943	132,880

	Nine Months	
	1972	1971
PRODUCTION AND SALES		
Crude oil and natural gas liquids (barrels/day)	23,800	20,500
Natural gas (Mcf/day)	102,200	93,900
Sulphur (long tons)	30,300	34,600

Copies of the Annual Report of Home Oil Company Limited can be obtained by writing to: The Secretary, The Consumers' Gas Company.

The Consumers' Gas System



This map shows the area served by the Consumers' Gas System. It includes, along with Consumers' Gas in Metro Toronto and Central Ontario, Provincial Gas in the Niagara Peninsula; Ottawa Gas in Ottawa and the Ottawa Valley; Gazifère de Hull in the Province of Quebec; Brockville Gas on the St. Lawrence, and St. Lawrence Gas in northern New York State.

The area served in Ontario and Quebec has a total population of about four million, representing more than 18% of Canada's total.

Corporate Information

The Consumers' Gas Company
Incorporated under the laws of the Province of Canada March 23, 1848
and continued as if incorporated under the laws of the Province of Ontario

HEAD OFFICE
19 Toronto Street, Toronto, Ontario

REGISTRAR, TRANSFER AND DIVIDEND
DISBURSING AGENT
Canada Permanent Trust Company
1901 Yonge St., Toronto 7, Ontario

REGISTRAR AND TRANSFER AGENTS
Canada Permanent Trust Company
in St. John's, Halifax, Charlottetown, Saint John,
Montreal, Toronto, Winnipeg, Saskatoon, Calgary and Vancouver

Bankers Trust Company
16 Wall Street, New York

TRUSTEE (BONDS)

3¾% First Mortgage Sinking Fund Bonds, Series A
5% First Mortgage Sinking Fund Bonds, Series B
5½% First Mortgage Sinking Fund Bonds, Series C
4.85% First Mortgage Sinking Fund Bonds, Series D (U.S. Funds)
8⅝% First Mortgage Sinking Fund Bonds, Series E
8% First Mortgage Sinking Fund Bonds, Series F (U.S. Funds)

Canada Permanent Trust Company
320 Bay Street, Toronto

TRUSTEE (DEBENTURES)

4¼%, 4¾%, 5½%, 5⅝%, 5¾%, 6%, 6½% and 8% Sinking Fund Debentures

Crown Trust Company
302 Bay Street, Toronto

TRUSTEE (DEBENTURES)

8⅛% Sinking Fund Debentures

National Trust Company, Limited
21 King Street East, Toronto

TRUSTEE (CONVERTIBLE DEBENTURES)

5½% Convertible Sinking Fund Debentures

The Royal Trust Company
Royal Trust Tower, Toronto-Dominion Centre,
Toronto, Ontario

TRUSTEE (U.S. BONDS)

5¼% First Mortgage Sinking Fund Bonds,
St. Lawrence Gas Company, Inc.

Bankers Trust Company
16 Wall St., New York

The principal operations of the Company are carried out through the following subsidiary and associated Corporate entities:

Natural Gas Operations	The Consumers' Gas Company Tecumseh Gas Storage Limited Société Gazifère de Hull, Inc. St. Lawrence Gas Company, Inc. Niagara Gas Transmission Limited Shorgas Limited
Oil and Gas Exploration Development & Production	Home Oil Company Limited Underwater Gas Developers Limited Sogepet Limited
Computer Operations	Consumers' Computer Limited T-Scan Limited Business Innovations Limited
Other Operations	Consumers' Realty Limited Hunt Club Road Estates Limited Cygnus Corporation Limited Community Antenna Television Ltd. Thio-Pet Chemicals Ltd.

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